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Weekly Intelligence Summary No. 18

## SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

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Passage of vessels through the Suez Canal is seriously hampered by a shortage of qualified Egyptian pilots. Egypt has insisted that the pilot corps, mostly European, include one Egyptian for each two pilots of other nationality. US representation on the Board of the Suez Canal Company for the first time in its history is now expected to bolster the position of the Board in negotiating a solution of this problem with the Egyptian Government.

France and the UK have notified the USSR that they intend to retain all Danube traffic and navigation rights granted under prewar agreements, thus sharply contradicting the Soviet position that all such previous agreements are now defunct.

Argentina is exploiting its virtual monopoly of shipping on the Paraguay River by initiating a drastic increase of freight rates. Thus, Argentina is attempting, through economic pressure, to force Paraguay more completely into the Argentine orbit.

Communist efforts to establish air services through the Middle East will be furthered if the reported collaboration between Czechoslovak Airlines (CSA) and Jewish interest in establishing a national airline for the State of Israel should materialize. Soviet interests have now succeeded in acquiring a majority stock interest in the Iranian Airline, IRANAIR, thus making probable the reorganization of this airline under Soviet control. Should the USSR and Czechoslovakia succeed in establishing and expanding commercial air operations through the Middle East, US and UK efforts, through political moves, to deny this area to Communist-controlled aviation, would be largely overcome.

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## SECTION II. CURRENT DEVELOPMENTS

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Passage of vessels through the Suez Canal is seriously hampered by a shortage of qualified pilots. To prevent a complete breakdown through overwork of the present inadequate corps of pilots, the Suez Canal Company has limited the number of vessels accepted, within a given period, for transit of this short cut between Europe and the East.

The shortage of pilots stems from Egyptian insistence that the pilot corps, mostly European, contain a certain ratio of Egyptian nationals; present arrangements between the Government and the Company provide that one Egyptian will be hired for each two pilots of other nationality. Egypt, however, has not been able to provide a sufficient number of domestic pilots, thus limiting the total employment. It appears that a complete breakdown of canal services can be avoided only through some agreement which, while enabling the Egyptian Government to save face, will also permit the Company to hire the necessary pilot force.

Operation of the Canal, in the past, has been governed primarily by the UK, France, and Egypt. Now that the US for the first time is represented on the Board of Directors of the Suez Canal Company, it can be expected to take a prominent role in Canal affairs. The appointment of S. Pinckney Tuck, former US Ambassador to Egypt, as Administrator on the Board of Directors has been well received by both the UK and France. The appointment, in addition to stimulating US interest in the Canal, is expected to bolster the position of the Canal authorities in their negotiations with the Egyptians.

The position of France and the UK on Soviet domination of the Danube may be taken as typical of that of the Western powers. In notes to the USSR, France, and the UK stated that they intend to retain all rights granted under previous agreements, in sharp contradiction to the USSR position that all such previous agreements are now defunct. While not normally riparian states, both states now have direct riparian interests through their zones of administration. France and the UK, furthermore, were signatories to previous regimes for international control of the Danube and vessels of both countries plied the Danube in prewar years.

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Argentina is exploiting its virtual monopoly of shipping on the Paraguay River to increase freight rates by 50 percent. Dodero, the largest privately-owned Argentine-flag shipping company (now in process of being nationalized (see ORE Weekly, 25 June), has announced rate increases of 50 percent on international shipping service effective 26 June 1948, giving as the reason rising costs and losses under present rates.

Paraguayans, largely dependent upon Dodero, see this action as forcing a drastic price increase on imported goods and a reduced market for exports. Thus, as has been forecast (see ORE Weekly, 25 June), Argentina may be using Dodero as an instrument of national policy to force Paraguay, through economic pressure, more completely into the Argentine orbit.

As a possible offset to Dodero's move, the US-flag Delta Line is studying plans for a tug and barge service between Buenos Aires and Asuncion; ocean-going service may follow. Despite enthusiasm for a national merchant marine, Paraguay's reaction to the Delta move is favorable, offering as it does, an opportunity to break Argentina's virtual monopoly over the carriage of Paraguayan foreign trade.

Communist efforts to establish air services through the Middle East will be furthered if the reported collaboration between Czechoslovak Airlines (CSA) and Jewish interests in establishing a national airline for the State of Israel should materialize. (Jewish aviation interests mentioned in this connection have their headquarters in Johannesburg.)

Soviet interests have now succeeded in acquiring a majority stock interest in the Iranian Airline, IRANAIR, thus making probable the reorganization of this airline under Soviet control.

Should the USSR and Czechoslovakia succeed in establishing and expanding commercial air operations through the Middle East, US and UK efforts, through political moves, to deny this area to Communist-controlled aviation, would be largely overcome.

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